

1 **ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS**

2 In the Matter of the Collection Agency
3 License of:

4 **A. R. SYSTEMS, INC. AND PAULA**
5 **WEISS-COHEN, PRESIDENT**
6 5125 N. 16th Street, Ste. A-220
Phoenix, AZ 85016

No. 08F-BD 002 SBD

**ORDER TO CEASE AND DESIST;
NOTICE OF OPPORTUNITY FOR
HEARING; CONSENT TO ENTRY OF
ORDER**

7 Respondents.

8 The Superintendent of Financial Institutions for the State of Arizona (the
9 "Superintendent"), makes the following Findings of Fact and Conclusions of Law and enters
10 the following Order pursuant to Arizona Revised Statutes ("A.R.S.") §§ 6-137 and 6-1209.

11 Pursuant to Titles 6 and 41 of the Arizona Revised Statutes and Title 20, Chapter 4 of
12 the Arizona Administrative Code ("A.A.C."), Respondents are hereby notified that they are
13 entitled to a hearing to contest the allegations set forth in this Order. The Request for
14 Hearing shall be filed with the Arizona Department of Financial Institutions (the
15 "Department") pursuant to A.R.S. § 6-137(D) within **thirty (30) days** of service of this
16 Order and shall identify with specificity the action or order for which review is sought in
17 accordance with A.R.S. § 41-1092.03(B).

18 Pursuant to A.R.S. §§ 41-1092.01(D) and 41-1092.03(B), any person may appear on
19 his or her own behalf or by counsel. If Respondents are represented by counsel, the
20 information required by A.R.S. § 41-1092.03(B) shall be included in the Request for
21 Hearing. Upon the filing of a Request for Hearing, the Department shall issue a Notice of
22 Hearing scheduling the matter for hearing in accordance with A.R.S. § 41-1092.05. **Persons**
23 **with disabilities may request reasonable accommodations such as interpreters,**
24 **alternative formats, or assistance with physical accessibility.** Requests for special
25 accommodations must be made as early as possible to allow time to arrange the
26 accommodations. If accommodations are required, call the Office of Administrative

1 Hearings at (602) 542-9826.

2 Respondents have the right to request an Informal Settlement Conference, pursuant to
3 A.R.S. § 41-1092.06, by filing a written request no later than **twenty (20) days** before the
4 scheduled hearing. The conference will be held within **fifteen (15) days** after receipt of your
5 request. If an Informal Settlement Conference is requested, a person with the authority to act
6 on behalf of the Department will be present (the "Department Representative"). Please note
7 that in requesting an Informal Settlement Conference, Respondents waive any right to object
8 to the participation of the Department Representative in the final administrative decision of
9 this matter, if it is not settled. In addition, any written or oral statement made by
10 Respondents at such informal settlement conference, including written documentation
11 created or expressed solely for purposes of settlement negotiations, are inadmissible in any
12 subsequent administrative hearing. (See A.R.S. § 41-1092.06 for rules regarding informal
13 settlement conferences.) Conversely, any written or oral statement made by Respondents
14 outside an Informal Settlement Conference is not barred from being admitted by the
15 Department in any subsequent hearing.

16 If Respondents do not request a hearing, this Order shall become final. If
17 Respondents request a hearing, the purpose of the hearing shall be to determine if grounds
18 exist for: (1) the issuance of an order pursuant to A.R.S. § 6-137 directing Respondents to
19 cease and desist from the violative conduct and to take the appropriate affirmative actions,
20 within a reasonable period of time prescribed by the Superintendent, to correct the
21 conditions resulting from the unlawful acts, practices, and transactions; (2) the imposition of
22 a civil monetary penalty pursuant to A.R.S. § 6-132; (3) the suspension or revocation of
23 Respondents' license pursuant to A.R.S. § 32-1053; (4) an order or any other remedy
24 necessary or proper for the enforcement of statutes and rules regulating collection agencies
25 pursuant to A.R.S. §§ 6-123 and 6-131.

1 **FINDINGS OF FACT**

2 1. Respondent A.R. Systems, Inc., ("ARSI") is an Arizona corporation
3 authorized to transact business in Arizona as a collection agency license number
4 CA0013315 within the meaning of A.R.S. § 32-1001, *et seq.* The nature of ARSI's business
5 is that of soliciting claims for collection and collection of claims owed, due, or asserted to be
6 owed, or due, within, the meaning of A.R.S. § 32-1001(a)(2)(a).

7 2. Respondent Paula Weiss-Cohen ("Ms. Weiss-Cohen") is the President of
8 ARSI and is authorized to transact business in Arizona as a collection agency within the
9 meaning of A.R.S. §§ 32-1001 (a)(2)(a) and (A)(5).

10 3. ARSI and Ms. Weiss-Cohen are not exempt from licensure as a collection
11 agency within the meaning of A.R.S. § 32-1004(A).

12 4. On February 28, 2007, the Department conducted an examination of ARSI's
13 business affairs. As a result of the examination, the Department discovered that ARSI and
14 Ms. Weiss- Cohen:

15 a. Failed to deposit seven (7) checks to the trust account(s) within three
16 business days after the receipt of these checks;

17 b. Failed to obtain prior written consent of the superintendent regarding
18 change of control, for the acquisition of ARSI through stock purchase;
19 specifically:

20 i. On November 01, 2006, ARSI stock was purchased by TPC
21 Enterprise, Inc. (TPC) (CA 906410), the company has been
22 operating under ARSI's license and name since November 01,
23 2006, on this date TPC became the parent company of ARSI;

24 ii. On June 19, 2006, ARSI entered into a management contract
25 with TPC, concurrently, with the execution of the management
26 agreement, the purchase agreement was also executed;

- 1 iii. The collection activities for TPC and ARSI were combined and
2 all the collections were deposited into one trust account;
3 iv. The purchase was finalized on November 01, 2006; and
4 v. Notification of the intent of the purchase was provided to the
5 Department on November 06, 2006;
6 c. Failed to maintain a positive trust account balance as evidenced by trust
7 shortages during seven month-ends (August 2006 – January 2007) of
8 the thirteen-month review period ending January 31, 2007; specifically:
9 i. Failed to keep all monies collected for the clients and deposited
10 to the trust accounts, and keep these monies until these monies
11 are remitted to the Respondents' clients;
12 d. Failed to disburse client funds in a timely manner; specifically:
13 i. Failed to disburse "un-mailed" checks totaling eighty-one
14 thousand seven hundred ten dollars and sixty-four cents,
15 \$81,710.64; and
16 ii. The "un-mailed" checks were disbursement checks withheld by
17 the Respondents since August 2006, due to insufficient funds in
18 the trust account;
19 e. Failed to withdraw from its trust account all fees and commissions
20 earned by the Respondents under its contract with clients and deposit
21 them directly into its own operating account; specifically:
22 i. Respondents transferred an "approximated" amount plus a
23 "cushion" in the trust account to its operating account as fees and
24 commissions;
25 f. Failed to maintain written collection agreements with the clients and
26 failed to disclose specifics in the agreements; specifically:

- i. Many of the collection contracts were missing and some did not have contracts signed; and
- ii. Agreements maintained by the Respondents included non-specifics and either were missing the terms, name of the parties, the fee/commission rates, or the remittance terms;
- g. Failed to maintain adequate records; specifically:
 - i. Respondents failed to maintain books, records such as general ledgers, trust general ledger for the activities conducted under TPC's licensee, (merged with ARSI in June, 2006);
 - ii. The bank reconciliation was prepared without reconciliation with the general ledgers;
 - iii. The Respondents have not closed collection activities for February, 2007, as of the report date (March 08, 2007); and
 - iv. The Respondents are still trying to include the March 2007, receivable, in its February, 2007's books and records;
- h. Failed to reflect true condition at each calendar month's end of client accounts; specifically:
 - i. On March 07, 2007, Respondents were in the process of closing their collection activities for the month of February, 2007; and
 - ii. Respondents failed to include all client information as required;
- i. Failed to provide documentation to support an accurate up to date financial statement, as requested by the Department; specifically:
 - i. Failed to provide a financial statement for a one-year-period. Only a one month financial statement was provided; and
 - ii. Eventually, December 31, 2006, financial statements were provided: However supporting documentation was not provided;

1 j. Failed to deposit with a local depository all monies collected by the
2 person and due to the person's clients, and failed to keep monies
3 deposited until these monies or equivalent amounts are remitted to the
4 person's clients; specifically:

5 i. Respondents experienced trust shortages during seven month-
6 ends of the thirteen-month review period ending January 31,
7 2007; and

8 ii. Respondents included the amount of the "unmailed checks"
9 (\$81,710.64) in the January, 2007, shortage of <\$185,512.31>;
10 and

11 k. Commingling of trust funds to operating funds; specifically:

12 i. Over transfer of trust funds from the trust account to the
13 operating account, payroll account and other accounts in excess
14 of commissions earned;

15 5. These Findings of Facts shall also serve as Conclusions of Law.

16 **CONCLUSIONS OF LAW**

17 1. Pursuant to A.R.S. § 32-1001, *et seq.*, the Superintendent has the authority and
18 the duty to regulate all persons engaged in the collection agency business and with the
19 enforcement of statutes, rules, and regulations relating to collection agencies.

20 2. ARSI and Ms. Weiss-Cohen are not exempt from licensure as a collection
21 agency within the meaning of A.R.S. § 32-1004(A).

22 3. By the conduct set forth in the Findings of Fact, ARSI and Ms. Weiss-Cohen
23 violated the following:

24 a. A.A.C. R20-4-1505(A) for failing to deposit all client funds into a trust
25 account before the close of its business on the third business day after
26 the Respondents receives the funds;

- 1 b. A.R.S. § 32-1026(B) by failing to obtain prior written consent of the
2 superintendent regarding acquisition through stock purchase;
- 3 c. A.R.S. § 32-1055(D)(2) by failing to deposit with a local depository all
4 monies collected by the person and due to the person's clients, and
5 failing to keep these monies deposited until these monies or equivalent
6 amounts are remitted to the person's clients;
- 7 d. A.R.S. § 32-1055(D)(1) by failing to render an account of and pay to
8 the client for whom collection has been made the proceeds collected,
9 less collection charges as agreed to by the person and the client, within
10 thirty days from the last day of the month in which the proceeds were
11 collected;
- 12 e. A.A.C. R20-4-1505(E) by failing to withdraw from its trust account all
13 fees and commissions due to the Respondents under its contract with a
14 client and failing to deposit them directly into its own operating
15 account;
- 16 f. A.A.C. R20-4-1518 by failing to maintain collection contracts or
17 collection agreements with many clients;
- 18 g. A.A.C. R20-4-1504(B)(6) by failing to keep and maintain books,
19 accounts and records adequate to provide a clear and readily
20 understandable record of all business conducted by the collection
21 agency, including without limitation books, records and files in such
22 condition that an unannounced spot check may be readily and easily
23 made;
- 24 h. A.A.C. R20-4-1504(B)(1) by failing to maintain client accounts, which
25 reflect its true condition at each calendar month's end and must include
26 all the client information required;

- 1 i. A.R.S. §§ 32-1025(A) and 32-1053(A)(1) by failing provide
2 documentation to support all the entries of the financial statements as
3 requested;
- 4 j. A.R.S. §§ 32-1055(D)(1) and 32-1055(D)(2) by failing to render an
5 account of and pay to the client for whom collection has been made the
6 proceeds collected, less collection charges as agreed to by the person
7 and the client, within thirty days from the last day of the month in
8 which the proceeds were collected and by failing to deposit with a local
9 depository all monies collected by the person and due to the person's
10 clients, and to fail to keep these monies deposited until these monies or
11 equivalent amounts are remitted to the person's clients as evidenced by
12 a trust shortage during seven months of the thirteen month review
13 period; and
- 14 k. A.A.C. R20-4-1505(C), 1505 (E), and 1505(F) by failing to only
15 transfer monies from the trust account to the operating account
16 considered to be commissions due to ARSI.

17 4. The violations, set forth above, constitute grounds for: (1) the issuance of an
18 order pursuant to A.R.S. § 6-137 directing Respondents to cease and desist from the
19 violative conduct and to take the appropriate affirmative actions, within a reasonable period
20 of time prescribed by the Superintendent, to correct the conditions resulting from the
21 unlawful acts, practices, and transactions; (2) the imposition of a civil monetary penalty
22 pursuant to A.R.S. § 6-132; and (3) the suspension or revocation of Respondents' license
23 pursuant to A.R.S. § 32-1053; (4) an order or any other remedy necessary or proper for the
24 enforcement of statutes and rules regulating collection agencies pursuant to A.R.S. §§ 6-123
25 and 6-131.

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

- 4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

1 and due to the person's clients, shall keep these monies deposited until
2 these monies or equivalent amounts are remitted to the person's clients;
3 and shall maintain sufficient funds in the trust account to meet their
4 responsibility to clients at all times; and

5 k. Shall only transfer monies from the trust account to the operating
6 account considered to be commissions due to ARSI.

7 2. ARSI and Ms. Weiss-Cohen must provide check numbers, amount, and date of
8 re-issuance of the "un-mailed checks".

9 3. ARSI must provide on a monthly basis a reconciliation of all bank accounts,
10 book balances and general ledger, said reconcilements shall be provided on the 15th of each
11 and every month until May 15, 2008.


12 4. ARSI and Ms. Weiss- Cohen shall immediately pay to the Department a civil
13 money penalty in the amount of **twenty-five thousand dollars (\$25,000.00)**. ARSI and
14 Ms. Weiss-Cohen are jointly and severally liable for payment of the civil money penalty.

15 5. The provisions of this Order shall be binding upon Respondents, their
16 employees, agents, and other persons participating in the conduct of the affairs of
17 Respondents.


18 6. This Order shall become effective upon service, and shall remain effective and
19 enforceable until such time as, and except to the extent that, it shall be stayed, modified,
20 terminated, or set aside.

21 SO ORDERED this 18 day of July, 2007.

22 Felecia A. Rotellini
23 Superintendent of Financial Institutions

24
25 By: 
26 Robert D. Charlton
Assistant Superintendent

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26

By: 
Paula Weiss-Cohen, President
A.R. Systems, Inc.

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 0
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 0
- 1
- 2
- 3
- 4
- 5
- 6

2
3
4
5

6
78
9

101

2
3
4
5

6
7
8

19
20

21

22
23
24
25
26

1 ORIGINAL filed this 18 day
2 of July, 2007 in the office of:

3 Felecia A. Rotellini
4 Superintendent of Financial Institutions
5 Arizona Department of Financial Institutions
6 ATTN: June Beckwith
7 2910 N. 44th Street, Suite 310
8 Phoenix, AZ 85018

9 COPY MAILED/HAND DELIVERED SAME DATE to:

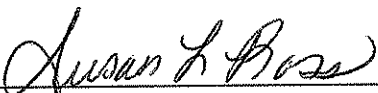
10 Craig A. Raby
11 Assistant Attorney General
12 Office of the Attorney General
13 1275 West Washington Street
14 Phoenix, AZ 85007

15 Robert Charlton, Assistant Superintendent
16 Jack E. Watson, Examiner-in-charge
17 Arizona Department of Financial Institutions
18 2910 N. 44th Street, Suite 310
19 Phoenix, AZ 85018

20 AND COPY MAILED SAME DATE BY Certified Mail,
21 Return Receipt Requested, to

22 Paula Weiss-Cohen, President
23 A.R. Systems, Inc.
24 5125 N. 16th Street Ste. #A-220
25 Phoenix, AZ 85018

26 Paula Weiss-Cohen
Statutory Agent for:
A.R. Systems, Inc.
5125 N. 16th Street Ste. #A-220
Phoenix, AZ 85016

27 
28 _____
29 #11709, CPA07-141